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Brazil

Coffee Annual

2012

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Report Highlights:
This report updates BR1206. The ATO/Sao Paulo estimate for Brazilian coffee production during marketing year (MY) 2012/13 (July-June) remains unchanged at 55.9 million 60-kg bags, up 6.7 million bags compared to the previous year, due to the on-year of the biennial production cycle of the Arabica trees. Coffee exports are estimated at 32.95 million bags, up 3.1 million bags compared to MY 2011/12, due to higher availability of the product. Carry-over stocks are forecast at 4.54 million bags.

Coffee, Green

Production:

The Agricultural Trade Office Sao Paulo (ATO) estimate for the Brazilian coffee production for marketing year (MY) 2012/13 (July-June) remains unchanged at 55.9 million 60-kg bags, green equivalent. Arabica production accounts for 40.2 million bags, whereas Robusta production is estimated at 15.7 million bags.

The harvest was over in October. Excessive rainfall during the beginning of the harvest (June/July) affected somewhat the quality of beans in Arabica growing regions, but post contacts report that this is not a major issue for marketing the crop. According to industry sources, approximately 50 percent of the 2012/13 crop has already been marketed. Area harvested and tree inventory estimates remain unchanged.

In September 2012, the Brazilian government (GOB), through the National Supply Company (CONAB) of the Ministry of Agriculture, Livestock and Supply (MAPA), released the third official coffee production estimate for MY 2012/13. As reported by CONAB, coffee production is estimated at 50.48 million bags, similar to the May 2012 crop survey (50.45 million bags), but up 7 million bags from MY 2011/12 (43.48 million bags).

The Brazilian Institute of Geography and Statistics (IBGE) has released its September 2012 coffee production forecast for MY 2012/13. IBGE projects production of 3.053 million metric tons of coffee, or 50.9 million 60-kg coffee bags, a 15 percent increase compared to MY 2011/12 (44.3 million bags).

No official forecast has yet been announced for MY 2013/14. Industry sources report a first steady blossoming during late September and October in major coffee areas. Arabica trees will be in the off-year of the biennial production cycle, therefore contributing to an expected decrease in the coffee supply for the upcoming crop.

Production Costs

The table below shows updated production costs in Guaxupe – Minas Gerais, one of the main coffee growing regions. Total costs in 2012 are estimated at US$ 167.37/bag, down US$ 4.85/bag relative to 2011 (US$ 172.22/bag), mainly due to the devaluation of the local currency, the real.

Estimated Cost of Production - Arabica Coffee - Guaxupe - MG Growing Region, US$/60 kg-bag; 30 bags/ha.)			
ITEM	**2010/11**	**2011/12**	**2012/13**
PLANTING COSTS			
1 - Airplane operations	0.00	0.00	0.00
2 - Mechanized operations	9.36	9.09	9.37
3 - Land analysis, sacks and others	5.62	5.11	4.75
4 - Temporary labor (including benefits)	92.17	89.59	92.48

5 - Fixed labor (including benefits)	1.10	1.08	1.13
7 – Seedling	0.00	0.00	0.00
8 - Fertilizer	24.31	27.37	24.55
9 – Pesticide	14.77	13.47	13.21
TOTAL PLANTING COSTS (A)	147.33	145.71	145.50
II - COSTS AFTER HARVEST			
1 - Transport (off-farm)	0.00	0.00	0.00
2 - Receiving, cleaning, drying, storage	0.00	0.00	0.00
3 – PROAGRO	0.00	0.00	0.00
4 - Technical assistance	0.00	0.00	0.00
5 – Processing	2.62	2.43	2.23
TOTAL COSTS AFTER HARVEST (B)	2.62	2.43	2.23
III - FINANCIAL COSTS			
1 – Interest	5.50	4.93	4.18
TOTAL FINANCIAL COSTS (C)	5.50	4.93	4.18
VARIABLE COSTS (A+B+C = D)	155.45	153.08	151.91
IV – DEPRECIATION			
1 - Depreciation farm and improvements	0.41	0.26	0.24
2 - Implement depreciation	0.00	0.00	0.00
3 - Machinery depreciation	0.00	0.00	0.00
4 - Coffee plantation depreciation	12.85	11.92	8.88
TOTAL DEPRECIATION (E)	13.26	12.18	9.12
V - OTHER FIXED COSTS (F)			
1 - Regular machinery maintenance	0.02	0.02	0.00
2 - Insurance for fixed capital	0.05	0.03	0.03
3 – Benefits	0.36	0.36	0.37
TOTAL OTHER FIXED COSTS	0.43	0.41	0.41
FIXED COSTS (E+F = G)	13.69	12.59	9.52
OPERATIONAL COSTS (D+G = H)	169.14	165.66	161.43
VI - FACTOR INCOME			
1 - Estimated income over fixed capital	0.38	0.25	0.23
2- Estimated income over coffee plantation	0.38	0.36	0.27
3 – Land	6.41	5.95	5.45
TOTAL FACTOR INCOME (I)	7.18	6.55	5.94
TOTAL COSTS (H+I = J)	176.32	172.22	167.37
Source: CONAB/DIGEM/SUINF/GECUP			
ROE: Nov/10 = 1.72; Nov/11 = 1.85; May/12 = 2.02			

Coffee Prices in the Domestic Market

The table below shows the Coffee Index price series released by the University of Sao Paulo's Luiz de Queiroz College of Agriculture (ESALQ). The series tracks coffee prices in the domestic spot market starting in September 1996. Coffee prices dropped in 2012 both in the local currency, the real, as well as in U.S. dollars (US$ 189.87/bag during the July-October 2012 compared to US$ 289.25/bag during the same period in 2011), as a consequence of higher production and the devaluation of the real vis-à-vis the U.S. dollar.

Post contacts reported that coffee farmers have been reluctant to sell the product at prices below R$ 400.00/box. Many producers got credit to finance storage costs, therefore selling only the necessary volumes to balance their cash-flows.

Arabica Coffee Prices in the Domestic Market (Real, 60kg/bag).					
Month	**2008**	**2009**	**2010**	**2011**	**2012**
January	267.84	268.41	280.75	433.34	485.04
February	285.19	269.34	278.68	495.98	441.31
March	263.28	262.48	279.70	524.27	387.53
April	256.35	260.10	282.18	524.41	379.53
May	254.84	268.02	289.46	530.76	382.65
June	255.76	256.64	305.98	514.99	360.61
July	250.51	247.50	302.36	457.81	408.06
August	248.86	255.34	313.93	470.62	378.48
September	261.58	254.29	328.23	511.57	385.92
October	256.84	262.20	327.15	490.45	374.97
November 1/	261.28	272.55	355.51	493.83	361.62
December	262.04	281.57	387.01	491.35	---
Source: CEPEA/ESALQ/USP. November 2012 refers to November 5.					

Consumption:

During MY 2012/13, the Brazilian domestic consumption is projected at 20.69 million coffee bags (19.58 million bags of roast/ground and 1.11 million bags of soluble coffee, respectively), a 3.5 percent increase compared to updated figure for MY 2011/12 (19.98 million bags), reflecting updated information from the Brazilian Coffee Industry Association (ABIC). According to ABIC, the increase in consumption reflects the growth of the habit of drinking coffee in coffee shops and the broader and more differentiated array of coffee products in the Brazilian market.

ABIC reports that the coffee industry processed 19.98 million bags, green equivalent, from May 2011 to April 2012, up 3 percent compared to the same period the year before. Per capita consumption for the aforementioned period is estimated at 4.94 kg of roasted coffee per person. ABIC projects total domestic consumption for 2012 and 2012 at 20.41 and 21 million bags, respectively.

The average retail coffee price in July 2012 was R$ 13.55 per kilogram, a 2 percent increase relative to December 2011 (R$ 13.26 per kilogram). Total market sales are estimated at R$ 7.7 billion in 2012. The table below shows domestic ground and soluble coffee consumption as reported by ABIC.

Domestic Ground and Soluble Coffee Consumption (Million 60 kg bags,kg/year).					
Year	**Consumption (Million 60 kg bags)**			**Consumption per capita (kg)**	
	Roast/Ground	**Soluble**	**Total**	**Roast**	**Green Beans**
2001	13.00	0.60	13.60	3.91	4.88
2002	13.30	0.74	14.04	3.86	4.83

2003	12.90	0.80	13.70	3.72	4.65
2004	14.10	0.80	14.90	4.01	5.01
2005	14.60	0.90	15.50	4.11	5.14
2006	15.40	0.93	16.33	4.27	5.34
2007	16.10	1.00	17.10	4.42	5.53
2008	16.68	0.98	17.66	4.51	5.64
2009	17.37	1.02	18.39	4.65	5.81
2010	18.06	1.07	19.13	4.81	6.02
2011	18.60	1.12	19.72	4.88	6.10
Source: Brazilian Coffee Industry Association (ABIC). Note: Estimates refer to November-October period.					

Trade:

Exports

In MY 2012/13, ATO/Sao Paulo estimates Brazilian coffee exports at 32.95 million bags, a 3.1 million bag increase relative to the previous season, due to higher availability of the product. Green bean exports are likely to account for 29.6 million bags, while soluble coffee exports are projected at 3.3 million bags.

For MY 2011/12 coffee exports were revised to 29.84 million 60-kg bags, green beans, down 5.2 million bags compared to MY 2010/11, based on updated information from the industry. Green bean (arabica and robusta) exports are estimated at 26.56 million bags, whereas soluble coffee exports are estimated at 3.2 million bags.

According to the September 2012 Coffee Market Report released by the International Coffee Organization (ICO), total world coffee consumption for 2011 is estimated at 139 million bags, up 1.846 million bags or a 1.3 percent growth relative to 2010 (137.154 million bags).

The table below shows green coffee bean (NCM 0901.11.10), soluble coffee (NCM 2101.11.10) and roasted coffee exports (NCM 0901.21.00) by country of destination, according to SECEX, for MY 2011/12 and 2012/13 (July-September).

Brazilian Green Coffee Exports by Country of Destination (NCM 0901.11.10, MT,US$ 000 FOB)						
	MY 2011/12 1/		**MY 2011/12 2/**		**MY 2012/13 2/**	
Country	**Quantity**	**Value**	**Quantity**	**Value**	**Quantity**	**Value**
USA	336,658	1,518,609	94,594	437,792	82,383	277,237
Germany	318,899	1,473,333	89,037	435,388	60,235	215,658
Italy	149,569	708,801	39,401	200,408	35,813	125,929

Japan	127,003	635,693	33,827	170,978	27,434	105,964
Belgium	111,787	540,216	27,560	137,113	19,419	70,951
Spain	41,287	191,799	13,808	66,279	7,409	26,260
Sweden	36,245	164,968	8,633	41,899	7,531	26,009
France	32,818	138,751	10,493	45,243	8,372	29,366
United Kingdom	27,789	156,853	5,475	28,240	4,267	16,561
Argentina	27,523	95,241	8,068	28,091	8,438	25,176
Others	383,062	1,567,850	93,270	395,191	102,986	333,651
Total	1,592,641	7,192,115	424,165	1,986,622	364,287	1,252,763

Source : Brazilian Foreign Trade Secretariat (SECEX)
Note: Numbers may note add rounding 1/July-June, 2/July-September

Brazilian Soluble Coffee Exports by Country of Destination
(NCM 2101.11.10, MT,US$ 000 FOB)

	MY 2011/12 1/		MY 2011/12 2/		MY 2012/13 2/	
Country	**Quantity**	**Value**	**Quantity**	**Value**	**Quantity**	**Value**
USA	12,834	98,737	3,709	28,159	2,766	20,359
Russia	8,130	78,165	1,938	19,954	2,649	24,429
Ukraine	5,820	54,812	1,970	17,843	1,867	15,838
Argentina	5,477	35,924	1,817	11,378	1,514	10,210
Japan	5,168	46,724	1,282	10,625	1,395	11,556
Germany	3,382	29,367	705	6,018	1,192	9,195
Indonesia	3,104	24,825	1,050	7,955	929	6,681
South Korea	2,687	35,860	251	2,873	727	9,010
United Kingdom	2,448	21,106	409	3,700	1,072	8,937
Hungary	2,135	16,030	321	2,288	391	2,792
Others	26,634	258,537	7,739	75,037	7,864	72,231
Total	77,821	700,088	21,192	185,830	22,366	191,239

Source : Brazilian Foreign Trade Secretariat (SECEX)
Note: Numbers may note add rounding 1/July-June, 2/July-September

Brazilian Roasted Coffee Exports by Country of Destination
(NCM 0901.21.00, MT,US$ 000 FOB)

	MY 2011/12 1/		MY 2011/12 2/		MY 2012/13 2/	
Country	**Quantity**	**Value**	**Quantity**	**Value**	**Quantity**	**Value**
USA	1,327	12,829	444	4,239	420	4,132
Italy	644	3,426	170	941	2	37
Japan	198	1,295	44	271	18	137
Argentina	135	1,187	28	274	46	313
Bolivia	133	637	59	281	11	54
Chile	122	1,057	33	274	39	301

Paraguay	122	711	28	159	47	271
Uruguay	65	354	19	97	10	56
France	45	413	8	88	0	0
Georgia	22	115	9	42	8	43
Others	139	1,216	35	312	47	364
Total	2,952	23,240	877	6,978	647	5,710
Source : Brazilian Foreign Trade Secretariat (SECEX) Note: Numbers may note add rounding 1/July-June, 2/July-September						

The tables below include data on monthly coffee exports (quantity and value) for MY 2011/12 and MY 2012/13 (July-September), as reported by Brazilian Green Coffee Association (CECAFE) and the Brazilian Soluble Coffee Association (ABICS). Total coffee exports during MY 2011/12 period were 29.79 million bags, down 5.21 million bags relative to MY 2010/11 (35 million bags).

According to CECAFE, coffee exports during July-September 2012 are 6.94 million bags, down 12.4 percent compared to the same period in 2011. CECAFE reports that lower exports are related to the delay in the harvest and processing of the beans in the beginning of the crop due to rainfall, and the strike of the custom agents at the ports promoting an overload of imported goods in the warehouses, therefore slowing down shipment of exporting goods.

Coffee analysts also report that coffee growers are relatively well capitalized due to strong coffee prices in 2011 and financing from the Brazilian government, therefore selling their product only when they get specific profit margins. Post contacts also relate that coffee importers have been reluctant to form larger stocks due to the economic turmoil in the northen hemisphere countries, major coffee consumers worldwide.

Preliminary data show that coffee export registrations for October 2012 were 2.79 million bags while cumulative green coffee export shipments for October 2011 are 2.4 million bags.

Brazilian Monthly Coffee Exports for MY 2011/12
(Thousand 60-kg bag, green equivalent).

Month	Conillon	Arabica	Roasted	Total Green	Soluble	Total
Jul-11	265.74	1,531.88	4.75	1,802.37	260.36	2,067.49
Aug-11	322.28	2,318.38	5.04	2,645.70	275.33	2,926.07
Sep-11	224.81	2,398.75	4.89	2,628.45	307.64	2,940.98
Oct-11	236.16	2,692.80	6.09	2,935.05	240.74	3,181.87
Nov-11	147.58	2,603.80	4.03	2,755.41	286.70	3,046.14
Dec-11	76.01	2,534.44	6.22	2,616.67	392.81	3,015.70
Jan-12	37.42	1,898.55	3.23	1,939.20	200.45	2,142.88
Feb-12	53.06	1,930.08	4.16	1,987.30	236.45	2,227.90
Mar-12	79.14	1,924.44	4.69	2,008.26	252.24	2,265.18
Apr-12	19.93	1,734.23	3.14	1,757.30	246.97	2,007.40
May-12	89.09	1,725.72	3.05	1,817.85	294.26	2,115.15

Jun-12	185.49	1,475.47	1.76	1,662.72	241.98	1,906.46
Cumulative	1,736.69	24,768.53	51.04	26,556.26	3,235.92	29,843.21
Source: CECAFE and ABICS.						

Brazilian Monthly Coffee Exports for MY 2012/13 (Thousand 60-kg bag, green equivalent).						
Month	**Conillon**	**Arabica**	**Roasted**	**Total Green**	**Soluble**	**Total**
Jul-12	174.33	1,678.69	4.10	1,857.12	265.17	2,122.29
Aug-12	230.60	2,032.85	3.78	2,267.23	328.64	2,595.87
Sep-12	80.04	1,862.25	3.12	1,945.41	277.39	2,222.80
Cumulative	484.97	5,573.80	10.99	6,069.75	871.20	6,940.95

Brazilian Monthly Coffee Exports for MY 2011/12 (US$ 1,000,000).						
Month	**Conillon**	**Arabica**	**Roasted**	**Total Green**	**Soluble**	**Total**
Jul-11	38.43	444.79	1.89	485.11	53.82	538.93
Aug-11	45.43	687.81	2.29	735.53	57.03	792.56
Sep-11	32.05	730.59	1.98	764.61	63.53	828.15
Oct-11	32.50	810.57	2.52	845.58	51.49	897.07
Nov-11	19.66	765.80	1.47	786.93	60.38	847.31
Dec-11	9.67	730.70	2.67	743.04	82.83	825.87
Jan-12	4.71	536.35	1.11	542.17	40.67	582.83
Feb-12	7.33	522.34	1.51	531.18	47.47	578.65
Mar-12	12.27	498.29	2.01	512.57	52.71	565.28
Apr-12	2.74	431.51	1.47	435.72	52.46	488.18
May-12	13.26	412.48	1.37	427.10	62.20	489.30
Jun-12	25.54	334.59	0.84	360.98	52.48	413.46
Cumulative	243.58	6,905.81	21.12	7,170.51	677.08	7,847.59
Source: CECAFE and ABICS.						

Brazilian Monthly Coffee Exports for MY 2012/13 (US$ 1,000,000).						
Month	**Conillon**	**Arabica**	**Roasted**	**Total Green**	**Soluble**	**Total**
Jul-12	24.03	358.46	1.99	384.48	54.01	438.49
Aug-12	31.83	429.34	1.93	463.09	65.37	528.46
Sep-12	11.33	393.80	1.47	406.59	54.42	461.01
Cumulative	67.19	1,181.59	5.38	1,254.16	173.79	1,427.96

Stocks:

ATO/Sao Paulo estimates ending stocks in MY 2012/13 at 4.54 million bags, up 2.26 million bags compared to MY 2011/12 (2.28 million bags). Coffee stocks held by MAPA/DECAF (Funcafe stocks) are estimated at approximately 14,000 bags, whereas CONAB coffee stocks on September are reported at 1.62 million bags.

The results from CONAB's 2012 private stocks survey, including stocks held by growers, coffee cooperatives, exporters, roasters and the soluble industry on March 31st were 8.41 million bags, down 823,520 bags from the previous year. The table below shows the results of the last three private stock surveys released by CONAB.

Brazilian Private Coffee Carry-Over Stocks (60-kg Bags)						
	Mar 31, 2010 2009 crop		**Mar 31, 2011 2010 crop**		**Mar 31, 2012 2011 crop**	
	Arabica	**Conillon**	**Arabica**	**Conillon**	**Arabica**	**Conillon**
Industry	739,812	172,121	667,851	319,927	550,676	229,879
Roasters	721,712	138,250	560,752	140,645	533,493	176,175
Soluble	18,100	33,871	107,099	179,282	17,183	53,704
Exporters	1,931,899	194,619	2,162,713	387,393	1,569,713	140,137
Coops	3,042,082	154,843	2,438,153	17,630	3,311,606	170,414
Others	2,531,543	177,069	2,964,091	280,377	2,289,485	152,705
Total	8,245,336	698,652	8,232,808	1,005,327	7,721,480	693,135
Grand Total	8,943,988		9,238,135		8,414,615	
Source: CONAB, Annual Carry Over Stock Surveys - Reference Month = March 31st.						

Production, Supply and Demand Data Statistics:

Coffee, Green Brazil	2010/2011		2011/2012		2012/2013	
	Market Year Begin: Jul 2010		Market Year Begin: Jul 2011		Market Year Begin: Jul 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	2,409	2,409	2,410	2,410	2,398	2,398
Area Harvested	2,175	2,175	2,150	2,150	2,130	2,130
Bearing Trees	5,820	5,820	5,760	5,760	5,865	5,865
Non-Bearing Trees	815	815	835	835	950	950
Total Tree Population	6,635	6,635	6,595	6,595	6,815	6,815
Beginning Stocks	2,836	2,836	2,946	2,906	1,786	2,283
Arabica Production	41,800	41,800	34,700	34,700	40,200	40,200
Robusta Production	12,700	12,700	14,500	14,500	15,700	15,700
Other Production	0	0	0	0	0	0
Total Production	54,500	54,500	49,200	49,200	55,900	55,900
Bean Imports	0	0	0	0	0	0
Roast & Ground Imports	0	0	0	0	0	0

Soluble Imports	0	0	0	0	0	0
Total Imports	0	0	0	0	0	0
Total Supply	57,336	57,336	52,146	52,106	57,686	58,183
Bean Exports	31,810	31,810	27,250	26,556	30,630	29,600
Rst-Grnd Exp.	60	60	50	51	70	50
Soluble Exports	3,140	3,140	3,000	3,236	3,300	3,300
Total Exports	35,010	35,010	30,300	29,843	34,000	32,950
Rst,Ground Dom. Consum	18,300	18,330	18,920	18,900	19,580	19,580
Soluble Dom. Cons.	1,080	1,090	1,140	1,080	1,180	1,110
Domestic Use	19,380	19,420	20,060	19,980	20,760	20,690
Ending Stocks	2,946	2,906	1,786	2,283	2,926	4,543
Total Distribution	57,336	57,336	52,146	52,106	57,686	58,183
1000 HA, MILLION TREES, 1000 60 KG BAGS						

Exchange Rate

Exchange Rate (R$/US$1.00 - official rate, last day of period)							
Month	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**
January	2.22	2.12	1.76	2.32	1.87	1.67	1.74
February	2.14	2.12	1.68	2.38	1.81	1.66	1.71
March	2.17	2.05	1.75	2.25	1.78	1.62	1.82
April	2.09	2.03	1.69	2.18	1.77	1.57	1.89
May	2.30	1.93	1.63	1.97	1.81	1.57	2.02
June	2.16	1.93	1.64	1.95	1.80	1.56	2.02
July	2.18	1.88	1.57	1.87	1.75	1.56	2.05
August	2.14	1.96	1.63	1.88	1.75	1.59	2.04
September	2.17	1.84	1.92	1.78	1.69	1.85	2.03
October	2.14	1.74	2.12	1.74	1.70	1.69	2.03
November 1/	2.17	1.78	2.33	1.75	1.71	1.85	2.04
December	2.14	1.77	2.34	1.74	1.66	1.88	--
Source : Gazeta Mercantil and BACEN (as of October 2006) 1/ November 2012 refers to Nov 5							